ANNUAL REPORT 2001

PRINCE EDWARD ISLAND

TEACHERS' SUPERANNUATION COMMISSION

DEPARTMENT OF EDUCATION

FOR THE SCHOOL YEAR ENDING

JUNE 30, 2001

102-06782/

TO HIS HONOUR
THE HONOURABLE LÉONCE BERNARD
LIEUTENANT GOVERNOR OF THE PROVINCE
OF PRINCE EDWARD ISLAND

MAY IT PLEASE YOUR HONOUR

I have the honour to submit herewith the annual report of the Prince Edward Island Teachers' Superannuation Commission for the school year ending June 30, 2001 including certain tables, reports and other matters containing information relative to the administration of the Prince Edward Island Teachers' Superannuation Act.

I have the Honour to be, Sir
Your Obedient Servant

Jeffrey E. Lantz
Minister of Education

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2. Report of the Auditor-General

Members - P.E.I. Teachers' Superannuation Commission for the period July 1, 2000 to June 30, 2001.

Shauna Sullivan Curley[1] (chair)

Michel Plamondon[2]

Donald Mulligan[2]

Pamela Shaw[2]

Gar Andrew[1]

Ken MacRae[1]

Terry Hogan[3]

1. Appointee of Minister of Education
2. Appointee of P.E.I. Teachers' Federation
3. Appointee of the Provincial Treasurer

Secretary to the Commission - Darlene Kneabone

CHAPTER 58

An Act to Amend the Teachers' Superannuation Act

(Assented to May 15, 2001)

BE IT ENACTED by the Lieutenant Governor and the Legislative Assembly of the Province of Prince Edward Island as follows:

1. Section 11 of the *Teachers' Superannuation Act* R.S.P.E.I. 1988, Cap. T-1 is amended

(a) by the repeal of subsection (1) and the substitution of the following:

Limits

11. (1) Computation of teaching service is subject to this Act and to the following limitations

(a) teaching service after July 1, 1931 may be computed as teaching service; and

(b) approved leave may be computed as teaching service within the overall limits imposed by the *Income Tax Act* (Canada) and regulations on the crediting of service in a registered pension plan.

(b) by the repeal of subsection (4) and the substitution of the following:

Purchase of previous leave

(4) A teacher who has been on approved leave without pay or with part pay under clause (1)(b) or subsection (3) may make such payments after returning from leave or re-employment as a teacher, as are equal to the full actuarial value, as determined by the Commission, of the period of leave or the equivalent period of unpaid leave in the case of part pay.

2. The Act is amended by the addition of the following:

Contribution for parental leave

11.1 Notwithstanding subsection 11(4) and subject to clause 11(1)(b), a teacher may make contributions to the Fund for a period of leave taken as maternity, parental or adoption leave, in accordance with the regulations.

3. Section 2 of this Act comes into force on a date that may be fixed by proclamation of the Lieutenant Governor in Council.

EC2001-423

TEACHERS' SUPERANNUATION ACT
MATERNITY, PARENTAL AND ADOPTION LEAVE REGULATIONS

(Approved by His Honour the Lieutenant Governor in Council dated 17 July 2001.)

Pursuant to section 33 of the *Teachers' Superannuation Act* R.S.P.E.I. 1988, Cap. T-1, Council made the following regulations:

1. In these regulations — Definitions

(a) "deferred election" means an election made more than 180 days from the date of return to work, where the leave does not fall within clause (b); — deferred election

(b) "early election" means — early election
(i) for leave ending on or after the effective date, election within 180 days of the date of return to work,
(ii) for leave ending between July 1, 2000 and the effective date, election within 180 days of the effective date;

(c) "effective date" means the date on which these regulations come into effect; — effective date

(d) "leave" for the purpose of these regulations means maternity, parental or adoption leave. — leave

2. (1) Subject to these regulations, after returning to work a teacher may elect, in writing, to purchase the period of leave for the purposes of the calculation of pensionable service. — Purchase leave for pension purposes

(2) Subsection (1) does not apply if the period of leave is already included as pensionable service used to calculate the pension under the Act or under any other pension plan. — Exception

(3) Where the teacher was not employed full-time on the date on which the leave commenced, the teacher may purchase only that portion of the leave that the teacher would have worked if not on leave. — Based on actual employment

(4) An election shall be made by a teacher while the teacher is still a contributor to the Fund. — Election only available to contributor

3. The cost to the teacher of purchasing all or a portion of the period of leave shall be — Cost

(a) if an early election is made, the amount of service being purchased as a percentage of a full year, multiplied by the amount of contributions the member would be required to make in a year under

section 14 of the Act, based on the member's annualized full-time equivalent earnings rate at the time the member made the election; or (b) if a deferred election is made, an amount equal to the full actuarial cost to the Fund of the purchased service.

Lump sum or instalments

4. (1) Subject to subsection 5(1), the amount payable by a teacher pursuant to section 3 may be paid in a lump sum or in instalments over a period not exceeding twice the total period of service being purchased.

Early election

(2) Where a teacher has chosen the early election option, the teacher shall commence payments or pay the lump sum payment not later than the end date of the first pay period following the expiry of the early election period.

Interest

(3) Where a teacher elects to make instalment payments under subsection (2), interest shall be charged on instalment payments over the payment period on the declining balance at the discount rate set out in the most current actuarial valuation of the Fund.

Terminates employment

5. (1) Where a teacher terminates employment prior to completing full payment for the purchase of the service, the full remaining balance of the cost of the service shall be payable within 14 days of the termination of employment.

Pro rata adjustment

(2) Where the balance is not paid pursuant to subsection (1), the amount of service respecting the leave to be included in calculating pension entitlement shall be adjusted *pro rata* to reflect the portion of the full cost of the service actually paid by the teacher.

Income Tax Act requirements

6. (1) Where required under the *Income Tax Act* (Canada), a past service pension adjustment shall be filed by the Minister with the appropriate government authorities for their approval or certification.

Compliance with subsection (1)

(2) Notwithstanding any other provision of these regulations, no benefits shall be paid with respect to service purchased under these regulations prior to the receipt of any required approval or certification of the purchase by the appropriate government authorities pursuant to the *Income Tax Act* (Canada).

Limits

7. The length of the period of leave that may be purchased under these regulations is subject to the overall limits imposed by the *Income Tax Act* (Canada) and regulations on the crediting of service in a registered pension plan.

Effective date

8. These regulations come into force on September 1, 2001.

EXPLANATORY NOTES

SECTION 1 defines the terms used in the regulations.

SECTION 2 allows an employee to purchase pensionable service for a period of maternity, parental or adoption leave.

SECTION 3 determines the cost of purchasing the service for the period of leave.

SECTION 4 determines how payment for the leave will be made.

SECTION 5 requires full payment for the purchased service to be made within 14 days of termination of employment.

SECTION 6 requires filing of the appropriate information with government authorities before benefits are payable in respect of the service.

SECTION 7 ensures that the service purchased complies with the federal *Income Tax Act* and the regulations under that Act.

Certified a true copy,

Lynn E. Ellsworth
Clerk of the Executive Council

APPLICATIONS FOR SUPERANNUATION

During the period July 1, 2000 to June 30, 2001 the following applications for superannuation were approved:

NAME	DATE OF BIRTH	AUTHORITY	ANNUAL ALLOWANCE	EFFECTIVE DATE
Baillie, Roger	02/03/46	16(1)(b)	30,228	01/07/01
Bentley, Lillian	15/03/47	16(1)(d)	32,598	01/07/01
Bolger, Joan	12/01/41	16(1)(a)	1,249	12/01/01
Campbell, Helen	01/05/45	16(1)(b.1)	9,173	01/09/01
Christian, Gerard	26/09/45	16(1)(b)	31,596	01/07/01
Coady, Fred	22/06/46	16(1)(b)	35,370	01/07/01
Coffill, A. Joan	19/05/41	16(1)(a)	2,144	19/05/01
Cooke, Marlene	12/02/41	16(1)(a)	6,194	12/02/01
Curran, Clarice	21/05/41	16(1)(a)	12,532	01/07/01
Curtis, Alan	28/02/41	16(1)(a)	26,659	01/07/01
Daley, Louis J.	21/05/45	16(1)(b)	27,941	01/07/01
Doiron, Deborah	14/02/53	16(1)(c)	15,736	01/02/01
Doyle, Sr. Joan	20/04/36	16(1)(b)	18,910	20/04/96
Dunsford, Dino	04/01/44	16(1)(b.1)	11,355	13/06/00
Gallant, Judith A.	08/03/42	16(1)(b.1)	16,570	12/12/00
Garth, Desmond (Irene)	04/09/49	25(1)	9,003	03/05/01
Garth, Andrew (Irene)		25(2)	1,500	03/05/01
Gillan, Chester	25/09/43	16(1)(b.1)	29,846	15/11/00
Grant, Peter	09/10/45	16(1)(b.1)	11,945	01/07/01
Grigg, Lorraine	04/02/46	16(1)(b)	31,331	01/07/01
Harper, Harley	28/05/46	16(1)(b)	28,872	01/07/01
Hartigan, Gerard	25/04/46	16(1)(b.1)	8,766	25/04/01
Holmes, Eleanor	17/09/46	16(1)(b)	31,667	17/09/01
Hughes, Glen	09/09/45	16(1)(b)	40,563	01/07/01
Lane, Leonard	03/05/42	16(1)(b.1)	4,244	01/07/01
Larivee, Paul	25/11/44	16(1)(b.1)	23,692	01/03/01
Ledgerwood, Allan	16/03/46	16(1)(b)	36,573	01/07/01
Lyle, Donna	03/08/46	16(1)(b)	28,463	03/08/01
Mella, Patricia	29/08/43	16(1)(b.1)	8,192	13/06/00
Murnaghan, Gerard	20/03/46	16(1)(b)	32,598	01/07/01
Murphy, Eugene	19/05/46	16(1)(b)	42,965	01/07/01
McCabe, Joanne	13/10/41	16(1)(b.1)	6,713	01/07/01
MacCormack, Louise	20/11/46	16(1)(d)	32,598	01/07/01
MacCormack, Raymond	14/06/45	16(1)(b)	31,810	01/07/01
McCormick, Marsha	20/02/44	16(1)(b.1)	22,607	01/07/01
MacDonald, Gerard	17/04/46	16(1)(b)	37,832	01/07/01
MacDonald, John B.	24/01/41	16(1)(b)	22,607	01/07/01
MacEachern, Glen	12/08/45	16(1)(b)	29,804	01/07/01

MacGregor, Brenda	06/01/52	16(1)(c)	15,886	08/06/01
MacInnis, Gordon	13/07/45	16(1)(b.1)	12,670	13/07/00
McNeil, Rita	19/03/46	16(1)(b)	28,732	19/03/01
McQuaid, Sr. Eileen	14/01/43	16(1)(b)	35,466	01/07/01
Penny, Helen B.	10/10/42	16(1)(b.1)	16,003	20/06/00
Richard, Bertha	16/06/42	16(1)(b.1)	5,500	13/06/00
Richard, Leonie	26/09/41	16(1)(b.1)	14,637	13/06/00
Semple, Anna	22/01/47	16(1)(b)	28,685	01/07/01
Soloman, Lloyd	25/06/44	16(1)(b)	31,924	01/07/01
Stewart, Marie	05/05/44	16(1)(b.1)	20,905	01/07/00
Walker, Pauline	03/05/46	16(1)(b)	30,835	01/07/01
Watkins, Claudia	29/01/45	16(1)(b.1)	21,973	01/07/00

SUPERANNUATES DECEASED DURING THE PERIOD JULY 1/00 TO JUNE 30/01

NAME	DECEASED	AGE
William Baker	July 6/2000	84
Francis MacNeill	July 12/2000	87
Lois MacLure	July 21/2000	95
Catherine Corbett	August 31/2000	89
Jean Howatt	August 31/2000	78
Viola Keefe	August 31/2000	87
Harold Leard	August 31/2000	63
David Fraser	Sept. 3/2000	53
Edith Clarey	Sept. 11/2000	88
Jeanette Auld	Sept. 14/2000	89
Reginald McClintick	Oct. 10/2000	57
Kathryn Christian	Oct. 24/2000	93
Sr. Margaret Devereaux	Oct. 26/2000	82
Arthur MacNeill	Oct. 28/2000	74
Douglas MacKean	Nov. 9/2000	84
Clara Coffin	Nov. 27/2000	87
Edith James	Dec. 17/2000	60
Margaret MacPhee	Dec. 28/2000	84
Daniel Tweel	Jan. 1/2001	76
Mildred Foster	Jan. 14/2001	88
William Arsenault	Jan. 31/2001	79
Robert Rensch	Feb. 15/2001	62
Ethel Conway	Feb. 20/2001	93
E. Mary MacLennan	Feb. 23/2001	80
Edith Mullen	March 3/2001	89
Eleanor Clinton	March 24/2001	64
Marjorie Coles	April 13/2001	88
Charles Read	April 13/2001	77
Sr. Elizabeth Mahar	April 28, 2001	83
George Clarey	April 30, 2001	94
Marjorie Ferguson	May 7, 2001	91
Alma Adams	May 16, 2001	86
Arlene MacDougall	June 4, 2001	66
Hollis Jenkins	June 10, 2001	90

NEW SPOUSAL PENSIONERS DURING THE PERIOD JULY 1/00 TO JUNE 30/01

NAME	START DATE	MONTHLY AMOUNT
Madeline Arsenault	Feb. 1/2001	151.45
Jocelyn Coffin	Dec. 1/2000	353.11
Thelma Fraser	Oct. 1/2000	771.06
Herman James	Jan. 1/2001	425.06
Charlotte MacKean	Dec. 1/2000	585.54
Anne MacNeill	Aug. 1/2000	2,062.77
Linda McClintick	Nov. 1/2000	1,542.17
Gabrielle Rensch	Mar. 1/2000	481.04

AUDITOR GENERAL

CHARLOTTETOWN

PRINCE EDWARD ISLAND

PROVINCE OF PRINCE EDWARD ISLAND

TEACHERS' SUPERANNUATION FUND

FINANCIAL STATEMENTS

JUNE 30, 2001

AUDITOR GENERAL

CHARLOTTETOWN

PRINCE EDWARD ISLAND

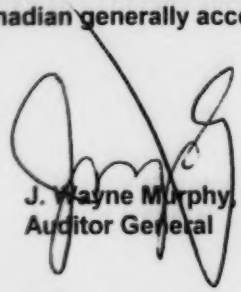
AUDITOR'S REPORT

To the Commissioners of the
Teachers' Superannuation Commission
Province of Prince Edward Island

I have audited the Statement of Net Assets Available for Benefits of the Province of Prince Edward Island Teachers' Superannuation Fund as at June 30, 2001 and the Statement of Changes in Net Assets Available for Benefits for the year then ended. These financial statements are the responsibility of the Teachers' Superannuation Commission. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2001 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.



J. Wayne Murphy, FCA
Auditor General

Charlottetown, Prince Edward Island
November 15, 2001

STATEMENT 1

PROVINCE OF PRINCE EDWARD ISLAND

TEACHERS' SUPERANNUATION FUND

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

as at JUNE 30, 2001

	2001	2000
Assets		
Cash	$ 546,679	$ 654,888
Contributions receivable - employee	4,987	2,206
Contributions receivable - employer	7,777	11,970
Accrued interest & other accounts receivable	1,523	3,295
Short term loan to Province	600,000	1,000,000
	1,160,966	1,672,359
Investments (Note 2b, 3)		
Province of Prince Edward Island Master Trust	279,764,708	280,930,520
Total Assets	$280,925,674	$282,602,879
Liabilities		
Installment buybacks (Note 2c)	-	5,508
Accounts payable	625,531	603,134
Total Liabilities	625,531	608,642
Net assets available for benefits	$280,300,143	$281,994,237

(The accompanying notes are an integral part of these financial statements.)

ON BEHALF OF THE COMMISSION

COMMISSIONER: _____

COMMISSIONER: _____

STATEMENT 2

PROVINCE OF PRINCE EDWARD ISLAND

TEACHERS' SUPERANNUATION FUND

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED JUNE 30, 2001

	2001	2000
INCREASE IN ASSETS		
Investment income		
Interest on investments	$ 7,163,787	$ 8,961,842
Dividends	4,354,075	2,423,813
Other income	44,085	31,210
	11,561,947	11,416,865
Market value increase (decrease)	(10,213,689)	20,834,604
Contributions		
Employees' contributions	5,498,049	5,257,060
Employers' contributions	5,498,049	5,257,060
Transfers from other plans	317,182	1,683,277
Buybacks	217,324	130,088
Contribution towards unfunded liability (Note 5)	12,121,202	12,121,202
	23,651,806	24,448,687
Total Increase in Assets	25,000,064	56,700,156
DECREASE IN ASSETS		
Administrative costs	99,951	129,718
Custodial and management fees	807,732	751,466
Refunds	90,544	26,477
Pensions paid	21,086,171	19,409,542
Transfers to other plans	4,609,760	280,068
Total Decrease in Assets	26,694,158	20,597,271
Increase in net assets	(1,694,094)	36,102,885
Net assets available for benefits at beginning of the year	281,994,237	245,891,352
Net assets available for benefits at end of the year	$280,300,143	$281,994,237

(The accompanying notes are an integral part of these financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

TEACHERS' SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2001

1. Description of Plan

The following description of the Teachers' Superannuation Plan is a summary only. For more complete information, reference should be made to the Teachers' Superannuation Fund.

(a) General
The plan is a contributory defined benefit plan covering teachers as defined under the Teachers' Superannuation Act. Under the plan, employees and the employer make equal contributions of 7.2% on that part of salary on which Canada Pension Plan contributions are made and 9.0% on salary when Canada Pension Plan contributions are not required.

(b) Pensions
Pensions payable are based on the number of years of service times 2% multiplied by the average of the 5 years of the highest annual salary rate on which the teacher made contributions.

(c) Disability Pension
A disability pension is available at any age to a teacher who retires from teaching service because of total and permanent disability who has contributed to the Fund for 5 or more years.

(d) Survivors' Pension
A survivor pension is paid to a spouse and allowances are provided to dependent children of a member who has at least 5 years service.

(e) Death Refunds
If a teacher dies before becoming eligible for a pension, a refund of contributions made plus interest shall be made to their personal representative.

(f) Withdrawal Refunds
Upon application and subject to limitations within the Teachers' Superannuation Act, a person who ceases to teach is entitled to a refund of all contributions made by the individual to the fund.

(g) Income Tax
The plan is a Registered Pension Plan as defined in the Income Tax Act and is not subject to income tax.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

These financial statements are prepared on the going concern basis and present the aggregate financial position of the plan as a separate financial reporting entity independent of the sponsor and plan members. They are prepared to assist plan members and others in reviewing the activities of the plan for the fiscal period but they do not portray the funding requirements of the plan or the benefit security of individual plan members.

(b) With the exception of real estate investments which are valued at cost, investments are valued at market value as reported by the custodian of the Master Trust at June 30, 2001 and include the following:

	2001	2000
Cash held for investment	$ 122,388	$ -
Short term investment fund units	12,121,200	-
Province of Prince Edward Island Master Trust	267,521,120	280,930,520
	$279,764,708	$280,930,520

(c) A past service buyback by installment plan was implemented in September 1983. Under this plan installments are accumulated for individual participants in a special fund until a sufficient amount is available to complete the buyback transaction. At that time the total buyback amount is recorded as a contribution to the Pension Fund.

3. Investments

Investments of the Civil Service Superannuation Fund, MLAs' pension funds, and the Teachers' Superannuation Fund are consolidated into the Province of Prince Edward Island Master Trust. As of June 30, 2001 there were 608,009.075 units held in the Province of Prince Edward Island Master Trust, of which the Teachers' Superannuation Fund held the following:

Units held	237,270.293
Market Value per unit	$1,127.49
Total market value held	$267,521,120

3. Investments (continued)

Investments of the Province of Prince Edward Island Master Trust at June 30, 2001 are as follows:

Canadian T-Bills	$ 20,441,095
Other liquid assets	199,518
Bonds, debentures and notes	246,624,888
Canadian equity securities	282,272,661
Foreign equity securities	126,303,872
Accrued income receivable	3,334,554
Real estate	6,350,733
Total	$685,527,321

The investments of $685,527,321 include amounts which the Master Trust Fund managers have invested in their own pooled funds. The June 30, 2001 market values of these related parties investments are as follows:

Sceptre Investment Counsel Limited	$ 57,412,841
Beutel, Goodman & Company Ltd.	29,643,260
McLean Budden Limited	41,281,549
NewCastle Capital Management Inc.	40,809,962
Templeton Management Limited	44,902,051
	$214,049,663

At June 30, 2001, $12,121,200 was invested outside of the Master Trust in a short term investment fund administered by the Master Trust Custodian, Royal Trust.

4. Obligations for Pension Benefits

The present value of accrued pension benefits was determined using the projected benefit method prorated on service and best estimate assumptions. The most recent Actuarial Valuation was done as of July 1, 1999 by Morneau Sobeco. The actuarial present value of benefits as at July 1, 1999 and the principal components of change from the previous Actuarial Valuation as at July 1, 1996 were as follows:

Actuarial present value of accrued pension benefits at July 1, 1996	$309,841,000
Interest on actuarial present value of accrued pension benefits	83,186,000
Actuarial present value of benefits accrued in the intervaluation period	23,064,000
Interest on present value of benefits accrued in the intervaluation period	2,927,000
Benefits paid	(50,340,000)
Interest on benefits paid	(6,323,000)
Loss re change in actuarial basis	12,076,000
Loss re change in plan provisions	14,458,000
Net experience loss	3,878,000
Actuarial present value of accrued pension benefits at July 1, 1999	$392,767,000

4. Obligations for Pension Benefits (continued)

The economic assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long-term market conditions. Significant long-term actuarial assumptions used in the valuation were:

Asset rate of return	7.9 % per annum
Basic salary escalation rate	4.0 % per annum
Pension cost of living increases	1.8 % per annum

The actuarial asset values used in the valuation were:

Actuarial value of net assets available for benefits	$245,891,000

5. Funding Policy

The employer matches employee contributions to the Fund. Under Section 9(3) of the Teachers' Superannuation Act, all payments required by the Act are guaranteed by the Province of Prince Edward Island. An Actuarial Valuation Report of the Fund as of July 1, 1999 was conducted by Morneau Sobeco. This report indicated there was an unfunded liability of $146.9 million. The unfunded liability amount of $146.9 million does not include an allowance for the present value of the future contributions noted below. The present value of remaining special contributions required by the Teachers' Superannuation Act as at July 1, 1999 is $49,431,000. If this present value had been considered for the actuarial balance sheet, the unfunded liability at July 1, 1999 would be $97,445,000.

As of March 31, 2001, the estimated unfunded liability of the Fund is $159.2 million. This estimate does not include an allowance for the present value of remaining special contributions. If the present value of the remaining special payments had been considered, as of March 31, 2001, the Fund would have an estimated unfunded liability of $115.6 million.

The Teachers' Superannuation Act was amended to reflect that the Province of Prince Edward Island shall pay $129.44 million into the Fund over a period of 10 years for the purpose of reducing the unfunded liability of the Fund. The Act was further amended in 1997 to provide for payments in accordance with the following schedule.

Date of Payment	Amount Payable to Fund
April 1, 1995	$23.60 Million
April 1, 1996	11.76 Million
March 31, 1998*	11.76 Million
April 1, 1998	11.76 Million
April 1, 1999	11.76 Million
April 1, 2000	11.76 Million
April 1, 2001	11.76 Million
April 1, 2002	11.76 Million
April 1, 2003	11.76 Million
April 1, 2004	11.76 Million

*An amount equal to the revenue that would otherwise have been earned for the period April 1, 1997 to March 31, 1998, on the contribution for the 1997-1998 fiscal year that was deferred to March 31, 1998, shall be paid in seven equal annual installments, commencing on April 1, 1998. The installment referred to above is $361,202 per year.